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New Date: 2008

Unification of the Zones

- In further conversation about the economic advantages or disadvantages to the Western Zone that would result from unification of all the zones of Germany, any discussion of the question hinged upon whether the Russians would give honest cooperation or would hinder deliveries. statistics in the last few months in the Russian Zone have been objective, the objectivity of statistics applied only to those prepared by the German offices. When these statistics are prepared, many factors are unknown; the figures on inter-zonal trade — are made known to the Germans only after they have been determined by the Russians. Sorin, the director of the Reparations Division in Karlsruhe, is preparing his own set of statistics. the Russians do not reveal all the figures for imports — figures on food and consumer goods, for example — and thereby give the Western Powers a false picture of the commodity situation in the Russian Zone. a clear-cut possibility of checking on production in all zones is essential following any negotiations with the Russians about unification of the zones, so that no zone would be able to produce secretly for its own use alone.

- unification with the Russian Zone would, nevertheless, bring some measure of economic alleviation and possibly profit to the Western zones. specifically deliveries of brown coal, products of the chemical industry such as fertilizers, wood and consumer goods of the glass industry. the possible economic results of unification; although the productive capacity in the Russian Zone is clear (because of the production plans), this is true in the Western zones.

 food production in the Russian Zone would be on a rather high level before long. The production of meat, for example, would be considerably improved by 1948.

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25X1 3. [] the basis for conversations preparatory to unification will be considerably improved when the Russians actually give fuller responsibility to the Germans, as they are now planning to do. At present, Kowal is directing conversations with Russian and German functionaries of the various states and provinces concerning reorganization of the economic administration of the Russian Zone. These conversations are in connection with the establishment of the authority of the Central Administration over the provincial and state administrations according to a plan accepted by Kowal.

25X1 4. [] the Russian Zone is not in such great need for machinery as is thought in the western zones. The real issue is the question of iron; if sufficient iron is available, a great deal could be done with industry in its present condition. [] the responsible leaders of industry are in constant fear of punishment by the Russians, and that resultant improvisation has often led to surprising results.

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Personnel Changes

25X1 5. In discussing the dismissal of Dr. Friedensburg, former President of the German Central Administration for Fuel, [] the clouds had been gathering over Friedensburg's head for a long time, and that his dismissal was expected by the people in the Central Administrations to be the first of several. [] it is true that Friedensburg had employed Nazis in his administration; this was possible, because the Russians do not check on employees prior to their employment. Friedensburg's mistake, [] was to defend people whom the Russians had rejected. Furthermore, he had made himself unpopular through his frequent criticism of the land reform. In addition, his attitude in regard to several instances of expropriation had annoyed the Russians.

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25X1 7. [] the principle functionaries (Referenten) of the German Central Administration for Industry: Friedel, Schober, Döring (Mining), Dr. Krämer (Industries Producing Raw Materials), Fräulein Eggers (Industries Producing Raw Materials), Schnittger, Schneider, and Krause. These people receive copies of the most important directives from Karlshorst.

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- 25X1 8. [redacted] Semyonov the most important man in Karlshorst. Semyonov has a direct wire to Stalin in Moscow, and has frequently settled important questions by direct conversation with Stalin without Sokolovski's knowing anything about it. [redacted] Semyonov the moving spirit in all questions regarding organization of the Soviet Industry A.G., and was informed about the Soviet Industry A.G. before any of the other leading economic officers knew anything about it. [redacted]
- 25X1 9. [redacted] 25X1 Semyonov had three main advisers, among whom is a Western Russian who appears in Berlin only occasionally and travels continually at Semyonov's behest, especially to China. This man is supposed to be able to speak eight languages.
- 25X1 10. [redacted] 25X1 Within the Economic Division, Kowal's deputy, Perelivchenko, is said to have considerable authority. As an example of Russian red tape, [redacted] The Central Administration for Industry had attempted to inaugurate large-scale repair activity, and a comprehensive plan to this end had been prepared and submitted to Perelivchenko. The latter rejected it and ordered individual offices to prepare new plans: Mining (Döring and Stoph), Power (Dr. Krämer), Industries Producing Raw Materials (Eggers, Krämer, Hintze), and Machinery Construction (Eggers, Cohen). Perelivchenko had previously promised that the former over-all repair plan would be approved.
- 25X1 11. [redacted] the Ulbricht's influence is waning. Sokolovski has a definite aversion for Ulbricht, and at least is wavering in support of Ulbricht. This is in contrast to Zhukov, who, together with his personal adviser, Sobolev, gave whole-hearted support to Ulbricht. [redacted] Zhukov's popularity the most plausible reason for his transfer to Odessa, [redacted] 25X1 Zhukov's transfer must be interpreted as the result of Stalin's displeasure over the miscarriage in Germany of the political plans which Zhukov had put into effect.
12. [redacted] 25X1
13. Three other presidents of the Central Administration, [redacted] 25X1 have close relations with the Russians: Hörnle (Agriculture), Meyer (Finance), and Wandel (Culture). [redacted] Wandel a pure idealist. [redacted] 25X1 none of these three men has any chance for a great political career [redacted] 25X1 [redacted] This applies particularly to Wandel and also to Weinert, who are not in good health.

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Production

14. In a mid-September meeting at Karlshorst, which was attended by members of the Central Administration for Industry, Blagovvestov (unidentified) announced that henceforth he would be in sole charge of the Light Industry Group, a new organization which had been formed by Perelivchenko and Kowal after they had split up Division IV of the Central Administration for Industry (Operations Direction of Industry and Handicrafts). Because of incredulity expressed by members of the Central Administration, Blagovvestov emphasized that his new position included not only handwork in light industry but all handicraft. Boulanger, Vice-President of the Central Administration for Industry, was ordered by Blagovvestov to prepare a table of organization and a budget for the new organization by 19 September. These documents would have to be approved by Blagovvestov, Kowal, and Maletin (head of the SMA Financial Directorate) jointly. Boulanger remarked at the close of the meeting that he would have to go to "someone higher up" in order to clarify this situation.
15. An SMA Order of 11 September 1946 provided for large-scale production of nitrogen at the Leuna Works. As a result, the gasoline production there must be cut by fifty percent. According to an announcement of the SMA, the Red Army will try to economize on its consumption of gasoline so that this reduction in production will not affect the civilian supply. [redacted] this announcement is interpreted by the Germans as meaning that Russian facilities for storing gasoline must now be exhausted. Gasoline production in the Leuna Works has been 30,000 tons monthly. In a Brabag plant and one other plant 60,000 tons have been produced monthly, making the total production for the Russian Zone 90,000 tons monthly. A rough estimate of the amount allotted to civilian use is 28,000 tons monthly. In 1936 the total use of gasoline in all Germany was 100,000 tons monthly. Total production in the Soviet Zone alone is therefore close to the amount required by all Germany in 1936.
16. Toward the end of September, it was suggested that the Rautal Works, in Wernigerode, which had been dismantled, be reactivated. This suggestion was accepted by Alexandrov, head of the SMA Industry Group. Production is limited to 3,000 electric motors monthly, with a capacity of 20 kw, direct and alternate current. The Rautal Works will have two plants: a preparations plant and a foundry. The concern will cooperate with and use the semi-finished products and raw materials stockpiles of the former Ehlin- und Schockwerke in Hettstedt, Province of Saxony; the Roeswerk in Saalfeld, Thuringia (materials stockpile); and a former repair plant of the AEG (Allgemeine Elektrizitäts Gesellschaft), in Oschersleben. The establishment for miniature transformers for sound film of the former Ehlin- und Schockwerke must, according to a directive of Alexandrov, be left where it is, as also the raw materials stockpile and supply of semi-finished products. Fifty percent of production must be for reparations. However, in a simultaneous announcement from Alexandrov to Major General Kolesnichenko, head of the SMA in Thuringia, and Major General Shlyakhtenko, head of the SMA for the Province of Saxony, concerning the production of the plants which are in their respective territories, it is stated that "production must be mainly for reparations".

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Re-opening of Patent Office

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